Paper 10: INTERMEDIATE MACROECONOMICS - I

Course Description

This course introduces the students to formal modeling of a macro-economy in terms of analytical tools. It discusses various alternative theories of output and employment determination in a closed economy in the short run as well as medium run, and the role of policy in this context. It also introduces the students to various theoretical issues related to an open economy.

Course Outline

1. Aggregate Demand and Aggregate Supply Curves
Derivation of aggregate demand and aggregate and supply curves; interaction of aggregate demand and supply.

2. Inflation, Unemployment and Expectations
Phillips curve; adaptive and rational expectations; policy ineffectiveness debate.

3. Open Economy Models
Short-run open economy models; Mundell-Fleming model; exchange rate determination; purchasing power parity; asset market approach; Dornbusch's overshooting model; monetary approach to balance of payments; international financial markets.

Readings:

1. Dornbusch, Fischer and Startz, *Macroeconomics*, McGraw Hill, 11th edition, 2010.
2. N. Gregory Mankiw. *Macroeconomics,* Worth Publishers, 7th edition, 2010.
3. Olivier Blanchard, *Macroeconomics*, Pearson Education, Inc., 5th edition, 2009.
4. Steven M. Sheffrin, *Rational Expectations*, Cambridge University Press, 2nd edition, 1996.
5. Andrew B. Abel and Ben S. Bernanke, *Macroeconomics*, Pearson Education, Inc., 7th edition, 2011.
6. Errol D'Souza, *Macroeconomics*, Pearson Education, 2009
7. Paul R. Krugman, Maurice Obstfeld and Marc Melitz, *International Economics*, Pearson Education Asia, 9th edition, 2012.

DEPARTMENT OF ECONOMICS
DELHI SCHOOL OF ECONOMICS
UNIVERSITY OF DELHI

Minutes of Meeting

Subject:	B.A. (Hons) Economics
Course:	08 (Intermediate Macroeconomics-I)
Date of Meeting:	27.4.2012 (Friday) & 11.5.2012 (Friday), 2:00 P.M.
Venue:	Department of Economics, Delhi School of Economics, University of Delhi, Delhi – 110 007
Chair:	Dr. Mausumi Das

Attended by:

1. K. Gupta, I.P. College.
2. Lokendra Kumawat, Ramjas College
3. Rajiv Jha, Shri Ram College of Commerce
4. Sarvesh Bandhu, Shri Ram College of Commerce
5. Rachna Jain, Maitreyi College
6. Anup Chatterjee, A.R.S.D. College
7. Bir Singh, Delhi College of Arts & Commerce
8. Neetu Jain, Daulat Ram College
9. Ruchi Gupta, Dyal Singh College
10. Meenakshi Sharma, Sri Venkateswara College
11. Sona Mandal, Kamla Nehru College
12. Anamita Roy, St. Stephen's College
13. Dolly Narula, P.G.D.A.V. College
14. Dolly Menon, Lady Shri Ram College
15. E. Trivedi, Jesus & Marry College
16. Anshu Chopra, Shivaji College

The following topic-wise readings were agreed upon:

Topic wise Readings:

Topic 1.   **The Aggregate Demand and Aggregate Supply Curve**
                          (Estimated number of lectures 17)

Derivation of aggregate demand and aggregate supply curves; interaction of aggregate demand and aggregate supply
Readings:
(a) RudigerDornbusch and Stanley Fischer(1994, 6thedn.), Chs.5 (5.1 to 5.3) and 7.
(b) O.Blanchard(2006, 4thedn.)*,* p292– p294, Ch 6 and 7.

Topic 2.   **Inflation,Unemployment and Expectations**
                          (Estimated number of lectures 20)

Phillips curve; adaptive and rational expectations; the policy ineffectiveness debate.
Readings:
(a) O.Blanchard(2006, 4thedn),Chs. 8 and 9.
(b) Richard Froyen, (2004, 8thedn.), Ch. 11, p262-275.
(c) C.L.F.Attfield, D. Demery and N.W. Duck (1991, 2nd end.)**,**p1– p28.
(d) Steven Sheffrin, (1996, 2ndedn.),Ch. 2, p25– p40.

Topic 3.   **Open Economy Models**
                          (Estimated number of lectures 25)

Short run open economy models: the Mundell Fleming model;exchange rate determination: purchasing power parity, asset market approach;Dornbusch's overshooting model. The monetary approach to balance of payments; international financial markets.

Readings:
(a) Rudiger Dornbusch and Stanley Fischer(1994, 6thedn), Chs.6 and 20 (20.1 and 20.2).
(b) D.Salvatore(2008, 8thedn), Ch.14(14.1–14.6D and appendix),Ch.15 (including appendix)and Ch.20.6

Assessment:
1.   The internal evaluation will consist of two class tests of 10 marks each, with 5 marks being allocated for attendance.
2.   The End-semester Examination (75 marks) will have the following format:
The question paper will have total **five** questions (15 marks each) with the following distribution across topics: **three** questions from topics 1 and 2 and **two** questions from Topic 3. Question should have internal choices. Question can be mathematical in nature.

Reading List
1.   **RudigerDornbusch and Stanley Fischer(1994)**, *Macroeconomics*, 6th edition, McGraw Hill.
2.   **O. Blanchard (2006)***, Macroeconomics,*4th edition, Pearson Education (Asia).
3**.**   **C.L.F.Attfield, D. Demery and N.W. Duck (1991),** *Rational Expectations in Macroeconomics*, 2ndedition, Blackwell.
4.   **Steven Sheffrin (1996)**, *Rational Expectations*, 2ndedition, Cambridge University Press.
5.   **D. Salvatore (2008)**, *International Economics*, 8th edition, Wiley (Asia).
6.   **Richard Froyen (2004)**, *Macroeconomics: Theories & Policies*, 8th edition, Pearson Education (Asia).